Project **Financial Statement Presentation**

Topic **Disaggregation by function and nature and segment disclosures**

Introduction

1. At the October 2009 joint meeting, the FASB and IASB (collectively, the boards) tentatively agreed to retain the requirement in the discussion paper, *Preliminary Views on Financial Statement Presentation*, to disaggregate income and expense items by both nature and function. The boards also tentatively decided that an entity with more than one reportable segment should present that disaggregated information in its segment note and that an entity comprised of one reportable segment should present that disaggregated information on the statement of comprehensive income (SCI). This paper addresses two questions board members asked about those tentative decisions:

   (a) **Issue 1**: Can an entity with only one reportable segment present some of its by-nature information in the notes to financial statements (as permitted in the discussion paper)?

   (b) **Issue 2**: What information will an entity with more than one reportable segment present on its SCI if the disaggregated nature and function information is presented in its segment note?

2. **Issue 3** in this paper reconsiders the proposal in the discussion paper that some entities (ie service entities) need not disaggregate income and expense items by function if that disaggregation would not enhance the usefulness of the information in predicting the entity's future cash flows.

3. The staff reviewed Accounting Standards Codification Topic 280, *Segment Reporting*, and IFRS 8, *Operating Segments*, to identify the paragraphs that may need amending to provide for the presentation of financial information that is

consistent with the proposed presentation model and the boards' decisions to date. The staff review did not focus on or challenge the objective or bases for the boards' segment reporting standards. This paper addresses possible changes in the following areas:

(a) **Issue 4**: Segregating all operating segment activities from corporate activities in the segment note

(b) **Issue 5**: Similar composition and alignment of operating profit information on the SCI and in the segment note

(c) **Issue 6:** Similar composition and alignment of operating cash flow information on the SCI and in the segment note.

Summary of staff recommendations

4. The staff recommend that:

(a) An entity with only one reportable segment be required to present all of its disaggregated by-function and by-nature information about income and expense items in the SCI.

(b) Aggregation criteria be added to the overall disaggregation principle the boards agreed to at the October 2009 joint meeting.

(c) An entity with more than one reportable segment be required to disaggregate its income and expense items by function on the SCI (in addition to disaggregating its income and expense items by both nature and function in its segment note).

(d) *All* entities be required to disaggregate their income and expense items by both nature and function.

(e) An entity be required to present information about corporate activities separate from information about all other operating segment activities that do not meet the criteria to be presented as a reportable segment.

(f) Require an entity that presents by-nature income and expense information in its segment note to classify items consistently between the SCI and the segment note, regardless of how the measures are presented to or used by the CODM.

(g) An entity be required to attribute assets, liabilities, and related depreciation, depletion or amortization to individual reportable segments where such attribution is reasonable.

(h) An entity be required to attribute income and expense items to individual reportable segments where such attribution is reasonable.

(i) An entity be required to reconcile the operating profit (loss) of its reportable segments to its consolidated operating profit presented on the SCI.

(j) An entity be required to present a measure of operating cash flow for each reportable segment and reconcile those measures to the consolidated operating cash flow.

(k) An entity be required to report a measure of liabilities for each reportable segment regardless of whether that amount is regularly provided to the CODM.

The appendix to this paper includes a statement of comprehensive income and a segment note that illustrate the above recommendations.

Issue 1: Can an entity with only one reportable segment present some of its by-nature information in the notes to financial statements?

5. At the October 2009 joint meeting, the boards agreed that an entity with only one reportable segment should disaggregate its income and expense items by both nature and function on the SCI. Some board members suggested that there may be some entities with only one reportable segment that are “complex” and questioned whether those entities should be allowed to present some by-nature information in the notes. The discussion paper permitted an entity to present some or all of its by-nature information in the notes if presenting that information on the SCI would result in a statement that is too lengthy or detract from the overall understandability of the SCI.

6. The concerns board members expressed in October 2009 are similar to the concerns expressed by respondents to the discussion paper—that there may be too much by-nature information on the SCI therefore resulting in a cluttered statement.

7. The staff considered why an entity with only one reportable segment might want to present some disaggregated SCI information in the notes (rather than in the SCI) and determined it could be the result of one of the following:

   (a) the entity is unable to discern when it has disaggregated enough by-nature information to satisfy the disaggregation principle; or

   (b) the entity may in fact have more than one reportable segment or operating segments that should not be aggregated.

8. During the recasting portion of the field test, preparers complained that there were no clear boundaries on the level of disaggregation required, thus they were not able to determine whether they had disaggregated too much or too little on the SCI. In October 2009, the boards tentatively agreed with the staff's recommended overall disaggregation principle that provides the objective or goal of disaggregation. That principle is as follows:

> An entity should disaggregate information and provide line item descriptions in its financial statements in a manner that provides transparency to that entity's business model(s). An entity should consider and apply the disaggregation attributes of function, nature and measurement bases both individually and in concert with each other to provide the best representation of how the entity uses its resources to generate income and cash flows. An entity should present the disaggregated information so that:
>
> (a) the activities the entity performs to conduct its business and generate income are clear;
>
> (b) the relationship between significant or material assets, liabilities, income, expenses, gains, loses and cash are faithfully represented; and
>
> (c) the significant or material cash flows of the entity from its business and financing activities are apparent.

9. That principle does not contain any boundaries that would allow a preparer to know whether the level of disaggregation is appropriate (ie when to stop disaggregating information on the SCI). Lack of such boundaries could result in inconsistent disaggregation between entities and excessive by-nature

disaggregation on the SCI. The staff suggest that providing *aggregation* criteria may be useful in addressing the concerns of field test participants and board members with the requirement to present disaggregated by-nature and by-function information on the SCI.

10. To develop that aggregation criteria the staff looked at the criteria in the boards' segment reporting standards for aggregating operating segments into reportable segments. The aggregation of operating segments into reportable segments can be thought of as horizontal disaggregation. The staff think that a similar aggregation concept can be used to formulate criteria to determine how much vertical disaggregation should be presented on the SCI.

Staff analysis and recommendations

11. The staff is of the view that **where** disaggregated SCI information is presented should be based on objective criteria, not the subjective views of an entity's management. There is no objective way to determine when there are too many line items of information on the SCI because the phrase "too cluttered" means different things to different individuals. Therefore, the staff recommend that an entity with only one reportable segment present <u>all</u> of its disaggregated information on the SCI.

12. To help determine when "enough" by-nature information has been presented to satisfy the disaggregation principle, the staff recommend that the overall disaggregation principle be amended to include aggregation criteria that will apply to the primary financial statements and the segment note. The aggregation criteria would state that items can be aggregated if they are economically similar in each of the following areas:
    (a) the nature of the goods, services or income received
    (b) the grade or quality of the goods, services, or income received

13. To help preserve the intent of the overall disaggregation principle, the staff recommend that the exposure draft also state that any line item on the statements of financial position, comprehensive income, or cash flows labelled *other* cannot be more than 10 percent of the absolute total amount of the category or section in which it is presented.

14. The result of the staff recommendation is that only an entity with more than one reportable segment can present the required by-nature and by-function information in the notes to financial statements (that is, in the segment note). Restricting disclosure of by-nature and by-function SCI information to the segment note for those entities:

    (a) will simplify the financial statements because information about the nature and function of income and expense items will be limited to presentation on either the SCI or the segment note and it is very clear where an entity will present that information (that is, there is no judgment involved)

    (b) may cause an entity with only one reportable segment to reassess whether it has more than one reportable segment.

Questions for the boards
Q1. The staff recommend that only an entity with more than one reportable segment can present the required by-nature and by-function information in the notes to financial statements. An entity with only one reportable segment would be required to present all of its disaggregated information about income and expense items in the SCI. **Do the boards agree with the staff recommendation**?
Q2. The staff recommend that an entity be permitted to aggregate items in the financial statements if (a) the nature of the goods, services or income received or provided is similar or (b) the grade or quality of goods, services or income received or provided is similar. **Do the boards agree with the staff recommendation?**
Q3. The staff recommend that the exposure draft require that any line item labelled *other* cannot be more than 10 percent of the absolute total amount of the category or section in which it is presented. **Do the boards agree with the staff recommendation?**

Issue 2: Minimum disaggregation required on the SCI when disaggregated SCI information is presented in the segment note

15. Several board members questioned what information would be presented on the SCI of an entity that has more than one reportable segment when that entity presents all of its by-nature and by-function information in the segment note. The staff considered whether by-function disaggregation should remain on the SCI or

whether an entity should be allowed to present whatever level of detail it deems appropriate on the SCI (as along as by-nature and by-function information is presented in the segment note).

16. By-nature information for an entity with more than one reportable segment is being moved from the SCI into the segment note to provide a more efficient method of presentation. The boards agreed that by-function information for those entities should be repeated in the segment note to provide the necessary context for that by-nature information. Even though by-function information for those entities will be in the notes, the staff think that by-function information should remain on the SCI because the presentation of consolidated financial information starts with the primary statements—the notes to financial statements are supplementary.

17. Allowing an entity to provide any level or amount of disaggregated information on the SCI (or possibly only subtotals) for those categories that are presented in the segment note could:

    (a) compromise the usefulness of the SCI on a stand-alone basis as a primary financial statement

    (b) potentially impair the ability of a user of the financial statements to understand the relationship of information on the SCI with information on the other primary financial statements

    (c) reduce the comparability of SCI information between entities.

Staff recommendation

18. The boards have tentatively decided that entities with more than one reportable segment should disaggregate their income and expense items by both nature and function in their segment note. The staff recommend that those entities also be required to disaggregate their income and expense items by function on the SCI.

Question for boards
Q4: Do the boards agree with the staff recommendation that an entity with more than one reportable segment be required to disaggregate its income and expense items by function on the SCI (in addition to disaggregating its income and expense items by both nature and function in its segment note)?

Issue 3: Should all entities be required to disaggregate income and expense items by function?

19. Financial services entity respondents generally agree with the proposal in the discussion paper that an entity should not have to disaggregate income and expense items by function if that information is not relevant to the analysis of the performance of their business. The discussion paper proposes that information by function may be irrelevant for service-oriented entities (such as banks, utilities, and healthcare providers) because, for example, costs of sales and gross margins are not an important aspect of their financial results. Function is defined in the discussion paper as "the primary activities in which an entity is engaged, such as selling goods, providing services, manufacturing, advertising, marketing, business development, or administration." Those examples characterize activities more familiar to manufacturing entities.

20. In working through issues related to presenting disaggregated SCI information in the segment note, the staff reconsidered the exception provided for service-oriented entities. The staff assert that a service-oriented entity also engages in functional activities and that presentation of SCI information by both function and nature may be more decision-useful for assessing the amount, timing and uncertainty of a service-oriented entity's future cash flows than presentation by nature alone.

21. For example, consider a financial services entity that has interest income from loans, service fee income from deposits, and mortgage servicing fee income all presented in the operating category of the SCI. That entity could be viewed as having lending activities, deposit-taking activities, and mortgage servicing activities. (If the entity has more than one reportable segment, those activities might constitute its reportable segments.) Each of those functional activities could have specific by-nature income or expense items that are directly related to that activity but not the other activities. Thus, disaggregation of income and expense items first by those functional activities and then by their nature could provide clearer information about the relationship between the assets and liabilities and future cash flows of the financial services entity.

22. The staff think that disaggregation by nature and function should apply to all entities. Even though service-oriented entities may be different from manufacturing-type entities, the composition and level of detail in the SCI should be the same. The staff assert that if an entity presents its "by nature" income and expense items in the aggregate, it becomes less clear which resources work together to produce particular revenue, income or cash flow streams. This will be especially problematic if an entity has only one reportable segment.

Staff recommendation

23. The staff recommend that the exposure draft require <u>all</u> entities to disaggregate their income and expense items by both nature and function. This would be a change from the discussion paper. Consistent with prior tentative decisions, an entity with more than one reportable segment would present that disaggregated information in the segment note, a single reportable segment entity would present that disaggregation information on the SCI.

Question for the boards
Q5: Do the boards agree with the staff recommendation to require all entities to disaggregate their income and expense items by both nature and function?

Issue 4: Segregating all operating segment activities from corporate activities in the segment note

24. Topic 280 and IFRS 8 currently require information about other business activities and operating segments that do not meet the criteria for aggregating into a reportable segment to be combined and disclosed in an "all other segments" category, separate from other reconciling items. Operating segments that are not part of a reportable segment are a component of an entity that engages in business activities from which it may earn revenues and incur expenses and for which discrete financial results are available. The chief operating decision maker also regularly reviews its results. The revenue and expense items of those operating segments are economically different in nature and have different implications for future cash flows than corporate or non-attributable income and expense items.

25. The staff think that the current requirement to aggregate information about operating segments that do not meet the criteria for a reportable segment with

information about other business activities (that is, corporate and other non-attributable activities) is not consistent with the principles of disaggregation or cohesiveness because the operating segment items relate to producing goods or providing services and the corporate items relate to the activity of the parent or holding company.

Staff recommendation

26. The staff recommend that information about corporate and nonoperating segment related items and activities be presented separate from any combined information about operating segments that do not meet the quantitative thresholds to produce a reportable segment. Disaggregating the corporate or nonattributable items and the operating segment information can provide information about the nature and extent of the synergies between the corporate parent and the operating segments. That information might influence the assumptions and cash flows predictions a user of the entity's financial statements might make. Thus, separating information about an entity's operating segment activities from its corporate or non-allocated items is consistent with the overall disaggregation principle in the proposed presentation model.

Question for the boards
Q6: The staff recommend that an entity be required to present information about corporate activities separate from information about all other operating segment activities that do not meet the criteria to be presented as a reportable segment. **Do the boards agree with the staff recommendation**?

Issue 5: Similar composition and alignment of operating profit information on the SCI and in the segment note

27. Neither Topic 280 nor IFRS 8 require the measure of segment profit or loss to be consistent with the attribution of assets or liabilities to reportable segments. Items of revenue and expense that are directly attributable to a segment are also not required to be included in the reported profit or loss of that segment. Currently, the segment standards allow for the inclusion or exclusion of items in the reported measure of segment profit or loss based on whether the item is included in the measure of performance used by the chief operating decision maker (CODM). This ability to include or exclude items based on management's

preference of performance measures provides an opportunity for inconsistent classification or presentation of assets, liabilities, income and expense items between the primary financial statements and an entity's segment note. This is not consistent with the principle of cohesiveness because the income, expense, gain and loss items may not be aligned with the assets and liabilities giving rise to them or the associated cash flows.

Staff analysis

28. Because an entity with more than one reportable segment will present by-nature and by-function income and expense information in its segment note but an entity with only one reportable segment will present that information on the SCI, the staff think that we should do the following:

    (a) Ensure that the disaggregated income and expense information presented by all entities is comparable in terms of its decision usefulness. That is, a user of the financial statements should have comparable information to assess the amounts, timing and uncertainties of an entity's cash flows regardless of whether that information is presented in the SCI or in the segment note.

    (b) Maintain the relationship between the income and expense items and the assets and liabilities giving rise to them.

    (c) Achieve cohesiveness between the information presented in the SCI and the segment note without adding complexity to the segment note.

29. To address those issues, the staff think an entity should have less choice regarding what it can include or exclude in the reported measure of segment profit or loss that is presented in the segment note.

30. The proposed presentation model introduces categories for classification that are applied at the reportable segment level and indicate how an asset or liability is used within the business. The staff think that the usefulness of information in predicting future cash flows is enhanced when as many related items as possible are presented together in a reportable segment. However, the current segment standards allow items to be included or excluded from reported segment amounts based on whether the CODM uses the amounts in the measure of performance of

the reportable segment. If the reported segment amounts continue to be based on the performance measures used by the CODM, then we cannot ensure that the operating profit amount presented in the SCI by an entity with only one reportable segment is comparable in terms of its decision usefulness to the operating profit or loss amounts provided in the segment note of an entity that has more than one reportable segment.

31. The boards' segment reporting standards require an entity to provide an explanation of the measurements of segment profit or loss and segment assets for each reportable segment and to reconcile select segment totals to related amounts presented on the primary financial statement(s). Introducing sections and categories in the proposed presentation model is likely to increase the differences between the amounts presented in an entity's SCI and the measures of profit and loss that are allowed under current segment requirements. This could complicate or add complexity to the reconciliations required in Topic 280 and IFRS 8. To mitigate this potential complexity, the reported measure of segment profit or loss should be aligned with a specific total or subtotal in the proposed presentation model and the composition of the amounts to be reconciled should be as similar as possible.

32. The staff think ***operating*** profit or loss is the most logical measure to require an entity to reconcile to and explain in the segment note. An entity may have other profit or loss subtotals that are important in understanding their financial results. The staff think that an entity should continue to be permitted to provide more than one reconciliation to other consolidated profit totals as long as the *operating* profit amounts and explanations are of equal or greater prominence.

33. If we want to maintain comparability and cohesiveness between the SCI and the segment disclosure, an entity that presents by-nature information in their segment note must classify items consistently between the SCI and the segment note, regardless of how the measures are presented to or used by the CODM. In addition, to ensure the composition of amounts presented in the SCI are comparable to those presented in the segment note an entity should:

    (a) reasonably attribute assets and liabilities on the SFP to each reportable segment because they determine the classification of most SCI items

(b) present income and expense items that are directly attributable to an operating or reportable segment in that segment.

34. The staff acknowledge that an entity may have shared assets or liabilities that give rise to a “many-to-one” or “one-to-many” relationship between assets and liabilities and the respective income, expense and cash flows. An entity may not be able to reasonably attribute some of those shared assets or liabilities to its reportable segments. The staff think that these items should be presented with either the corporate/nonattributable items or the operating segment information that does not meet the requirements of a reportable segment, which ever is more appropriate. Those amounts should be explained and reconciled to the corresponding amounts on the SCI.

Staff recommendation

35. The staff recommend the following:

(a) An entity that presents by-nature income and expense information in its segment note should be required to classify items consistently between the SCI and the segment note, regardless of how the measures are presented to or used by the CODM.

(b) An entity should be required to attribute assets and liabilities and related depreciation, depletion or amortization to individual reportable segments where such attribution is reasonable.

(c) An entity should be required to attribute income and expense items to individual reportable segments where such attribution is reasonable.

(d) An entity should be required to reconcile the operating profit of its reportable segments to its consolidated operating profit. An entity should be permitted to reconcile any other measure of segment profit or loss that is important to understanding its business to the corresponding consolidated measure of profit or loss presented on the SCI.

36. The staff think that the above recommendations will provide financial information about an entity that is consistent with the proposed presentation model and more decision useful than the current segment information. These recommendations should also simplify the reconciliations and explanations

between total amounts presented in the segment note and the consolidated amounts on the SCI (and SFP regarding assets) because there will be fewer reconciling items.

Question for the boards
Q7: Do the boards agree with the staff recommendations to: (a) Require an entity that presents by-nature income and expense information in its segment note to classify items consistently between the SCI and the segment note, regardless of how the measures are presented to or used by the CODM. (b) Require an entity to attribute assets, liabilities, and related depreciation, depletion or amortization to its individual reportable segments where such attribution is reasonable. (c) Require an entity to attribute income and expense to its individual reportable segments where such attribution is reasonable. (d) Require an entity to reconcile the *operating* profit of its reportable segments to its consolidated operating profit and permit an entity to reconcile any other measure of segment profit or loss that is important to understanding its business to the corresponding consolidated measure of profit or loss presented on the SCI.

Issue 6: Similar composition and alignment of operating cash flow information on the SCF and in the segment note

37. Neither Topic 280 nor IFRS 8 require the presentation of a measure of segment cash flow. However, both standards do require expenditures for additions to long-lived assets (with specified exceptions) to be presented by reportable segment if the amounts are included in the determination of segment assets or are otherwise regularly reviewed by the CODM.

38. Field test participants indicated that the increased disaggregation on the SCI increased the usefulness of the information presented on the SCF. If an entity with more than one reportable segment presents its disaggregated SCI information in its segment note, the relationship between that disaggregated SCI information and the consolidated SCF may not be as clear.

39. Thus, the staff think that if an entity disaggregates its income and expense items by nature and function in its segment note but is not required to present segment

cash flow information that is consistent with the cash flow information on the consolidated SCF there may be:

(a) a comparability issue between an entity that reports all of its disaggregated information on the SCI and an entity that presents disaggregated SCI information in the segment note; and

(b) less decision-useful financial information relative to the information presented by an entity with only one reportable segment that reports all of its disaggregated by-nature and by-function information on the SCI because the link between the income or expense items driving the cash flows may be lost.

40. The relationship between operating income, expense, gain and loss items and the entity's operating cash flows should be clear for an entity with only one reportable segment because it will present all of its disaggregated income and expense information on the SCI. Since greater transparency of an entity's operating results is a desirable outcome of this project, this would suggest that an entity with more than one reportable segment should present comparable information about its operating cash flows in its segment note. This amount should be reconciled to the consolidated operating cash flow total on the SCF.

41. Cash flows related to expenditures for long-lived assets do not necessarily provide information about the cash generating abilities or cash demands of the reportable segment. However, these expenditures are likely to convey useful information about the future operating capabilities of the reportable segment. The staff does not propose any changes to this existing requirement.

Staff recommendations

42. The staff recommend that Topic 280 and IFRS 8 be amended:

(a) to require an entity to present a measure of operating cash flow for each reportable segment

(b) to require an entity to reconcile the total of operating cash flows of all its reportable segments to its total consolidated operating cash flows.

Question for the boards
Q8: The staff recommend that an entity be required to present a measure of operating cash flow for each reportable segment and to reconcile the total of operating cash flows of all its reportable segments to its total consolidated operating cash flows. **Do the boards agree with the staff recommendation?**

Issue 7: Segment liabilities

43. IFRS 8 requires an entity to report a measure of liabilities for each reportable segment if such amount is regularly provided to the CODM. Topic 280 does not have a similar requirement. Both IFRS 8 and Topic 280 require an entity to report a measure of segment assets for each reportable segment (regardless of whether that amount is regularly provided to the CODM). If an entity is going to be presenting income and expense information by both nature and function in its segment note, the staff think that information about segment assets <u>and</u> liabilities should be presented in the segment note.

Question for the boards
Q9: The staff recommend that an entity be required to report a measure of liabilities for each reportable segment regardless of whether that amount is regularly provided to the CODM. **Do the boards agree with the staff recommendation**?

Appendix: Illustration of SCI and segment note

Statement of Comprehensive Income		
	For the year ended 2011	For the year ended 2010
Business		
Operating		
Sales	3,083,000	2,945,000
Cost of Goods Sold	(1,917,730)	(1,799,300)
Gross Margin	1,165,270	1,145,700
Selling Expense	(212,450)	(205,830)
Research and Development Expense	(232,200)	(183,180)
Administration Expense	(315,400)	(301,800)
Impairment Expense		(120,000)
Total Operating Income	**405,220**	**334,890**
Investing		
Equity Income	3,050	2,872
Total Business Income	**408,270**	**337,762**
Financing		
Interest expense	(93,950)	(93,950)
Total Financing	(93,950)	(93,950)
Profit before taxes	314,320	243,812
Income Tax		
Tax expense	(129,350)	(198,719)
NET INCOME	**184,970**	**45,093**
Other Comprehensive Income, Net of Tax		
Unrealized CS	(14,800)	2,000
Unrealized Pension	(1,650)	(4,200)
Total Other Comprehensive income	(16,450)	(2,200)
Total Comprehensive Income	**168,520**	**42,893**
Net Income Attributable to:		
Owners of the parent	169,220	25,331
Noncontrolling interests	15,750	19,762
Total Comprehensive Income Attributable to:		
Owners of the parent	152,970	23,131
Noncontrolling interests	15,550	19,762

Segment Note

	For the year ended 31 December 2011				For the year ended 31 December 2010			
	Retail	Fabrication	Corporate	Total	Retail	Fabrication	Corporate	Total
Business								
Operating								
Sales	2,433,000	650,000		3,083,000	2,195,000	750,000		2,945,000
Cost of Goods Sold								
Materials	(1,267,000)	(261,000)		(1,528,000)	(1,130,000)	(300,000)		(1,430,000)
Labor	(140,000)	(50,000)		(190,000)	(134,500)	(50,000)		(184,500)
Rent	(62,000)	(25,000)		(87,000)	(50,000)	(25,000)		(75,000)
Depreciation	(67,500)	(14,000)		(81,500)	(31,500)	(50,000)		(81,500)
Other	(23,000)	(8,230)		(31,230)	(21,000)	(7,300)		(28,300)
Total Cost of Goods Sold	(1,559,500)	(358,230)	-	(1,917,730)	(1,367,000)	(432,300)		(1,799,300)
Selling								
Labor	(94,050)			(94,050)	(90,850)			(90,850)
Advertising	(75,000)	(6,900)		(81,900)	(75,000)	(6,900)		(81,900)
Other expense	(36,500)			(36,500)	(33,080)			(33,080)
Total Selling	(205,550)	(6,900)	-	(212,450)	(198,930)	(6,900)		(205,830)
Research and Development								
Labor	(143,200)			(143,200)	(116,180)			(116,180)
Rent	(53,000)			(53,000)	(45,000)			(45,000)
Other	(36,000)			(36,000)	(22,000)			(22,000)
Total Research and Development	(232,200)	-	-	(232,200)	(183,180)			(183,180)
Administration								
Labor	(114,000)	(10,000)	(60,000)	(184,000)	(110,900)	(10,000)	(54,000)	(174,900)
Audit	-		(30,000)	(30,000)	-		(30,000)	(30,000)
Legal	-		(35,000)	(35,000)	-		(32,000)	(32,000)
Other	(30,500)	(5,900)	(30,000)	(66,400)	(31,300)	(6,100)	(27,500)	(64,900)
Total Administration	(144,500)	(15,900)	(155,000)	(315,400)	(142,200)	(16,100)	(143,500)	(301,800)
Impairment Expense							(120,000)	(120,000)
Total Operating Income	**291,250**	**268,970**	**(155,000)**	**405,220**	**303,690**	**294,700**	**(263,500)**	**334,890**
Total Operating Cash Flow By Segment	**(142,500)**	**142,202**	**(135,000)**	(135,298)	571,000	107,202	(123,500)	554,702
Capital Expenditures	***x,xxx***	***xxx***		*x,xxx*	*x,xxx*	*xxx*		*x,xxx*
As of 31 December 2001								
Total Assets	**4,374,077**	**2,290,009**		**6,664,086**	**4,497,827**	**1,990,307**		**6,488,134**
Total Liabilities	**(3,560,843)**	**(906,059)**	**(1,650,000)**	**(6,116,902)**	**(3,663,211)**	**(875,327)**	**(1,550,000)**	**(6,088,538)**
Interest Expense			**(93,950)**	**(93,950)**			**(93,950)**	**(93,950)**